

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MARCH 29, 2006

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Steven Slovenski, Legal Counsel; Evie Taft, Human Resources Administrator; Lt. Lisa Soiett, Bureau of Enforcement; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; Doreen Wittenberg, Administrative Services. **Guests:** Al Picconi, Southern Wine & Spirits of N.E., Inc.; Michael Goclowski, Law Warehouses; Peter Croteau and Mark Blanchette, Office of Information Technology.

EXCUSED: George Tsiopras, Chief Financial Officer.

Peter Croteau and Mark Blanchette of OIT's software division passed out copies of a proposed Memorandum of Agreement for services to be provided to the state agencies by the Office of Information Technology. Each section was briefly reviewed, with emphasis pointed to Section 6 dealing with the scope of services they will provide. Appendices to this document were also distributed. Several agencies, in particular, Health and Human Services, the Department of Transportation and Revenue Administration, have already agreed with the provisions of the MOA. OIT would like to have the rest of the agencies review, make any necessary revisions, and sign the agreement by June 30, 2006.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports:

A. Weekly, Y-T-D Sales Reports:

Sales for the week ending March 26, 2006 were down (8.76%) or (\$585,463) for the weekly comparison, but increased year-to-date by 5.73% or \$16,933,269.

B. Budget Reports:

Last Friday Craig and George attended the Fiscal Committee meeting, at which time the Commission's requested transfers were approved on the consent calendar. The request will now be forwarded to Governor and Council for approval.

Craig sent a memo to the Bureau Chiefs and Commissioners relative to a new requirement whereby each full-time and part-time position must be justified by giving a brief explanation as to why each exists. Doreen explained how this will work and why it is being required. She said that different categories can be grouped together and submitted as a group.

Efforts continue with UPS regarding public on-line ordering, and there will be meeting at Law Warehouse tomorrow regarding this.

The latest depletion report shows that all payments due by vendors and brokers are now up to date.

The yearly Charitable Campaign kick-off will occur on April 17th, and donor forms will be sent out to all employees within the next few weeks.

A motion was made by Commissioner Russell, seconded by Commissioner Byrne, that the time of weekly staff meetings be changed to 1:00 a.m. beginning next week to allow Chairman Maiola, Steve and other staff the opportunity to attend future Governor and Council meetings which begin at 10:00 a.m. on Wednesdays. The motion was unanimously adopted. Enforcement meetings will follow Commission business meetings, as usual.

2. IT Report:

Howard stated that one or more people would need to be assigned to review the new MOA and work with OIT on it. It was moved by Commissioner Byrne, seconded by Commissioner Russell, that Howard take the lead with this project and assign other Bureau Chiefs as needed.

Four bids were received for the point-of-sale RFP. Three of these look affordable, but each has its own technical flaws.

Inventory went quite well this time. Two Dolphins had data problems, and there were just a few procedural problems which were easily corrected.

There is a disk space issue which will require MAPPER and e-mail to be taken down for several hours. This is planned for Saturday, April 8th between 4:00 a.m. and 4:00 p.m. The process is expected to be finished before the holiday weekend begins, but there will be a contingency plan in place.

In answer to an inquiry from Commissioner Russell, Howard said OIT would probably have no reply at this time regarding an article in the paper quoting an OIT employee on a particular issue.

3. Human Resources Report: No report given.

II. MARKETING & SALES REPORTS

1. Store Operations:

Sales for the week ending 3/26/06 were down (3.68%) or (\$182,845.76). John Bunnell mentioned that the sales losses for the past week were indicative of when Easter occurred last year. The stores in the Keene area are still doing very well.

Peter said that the inventory process went extremely well, with only two telephone calls from the stores that were procedural in nature. He thanked Howard and his staff for the excellent training afforded to the store staff.

A meeting is scheduled with the City of Portsmouth regarding the bathrooms at Store #38 today at 2:00 p.m. In addition, there will be a meeting regarding the Cheshire welcome center tomorrow at the Department of Transportation.

2. Purchasing Report

John Bunnell said there are no issues with purchasing or out of stocks at this time.

3. Merchandising Report

A. SPIRITS:

1) Memorial Day Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve seventeen (17) spirit items to be featured during the Memorial Day Sale, scheduled for Thursday, May 18 through Monday, May 29, 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Test Market Products:

a. Test Market Request (Tarantula Reposado Tequila):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./McCormick Distilling Company for a new test market listing for Tarantula Reposado Tequila, 750ML size (assigned new Code #3756), to be initially distributed to Cluster 1, 2 and 3 stores, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (TJ Toad Hurricane & Bahama Mama):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Devil Spring Bottlers for new test market listings for TJ Toad Hurricane, 1.75L size (assigned new Code #5529) and TJ Toad Bahama Mama, 1.75L size (assigned new Code #5530), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Glen Moray 12-Year Old Single Malt Whiskey:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Moet Hennessy USA for a new test market listing for Glen Moray 12-Year Old Single Malt Whiskey, 750ML size (assigned new Code #2196), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Results (Codes #2631, #2765, #2769 & #2782):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve specialty item listings for Code #2631, Scapa 14-Year Single Malt, 750ML size, Code #2765, Laphroaig 15-Year Old Single Malt, 750ML size and Code #2769, Laphroaig Quarter Cask, 750ML size, as each item achieved their respective gross profits required for specialty item consideration at the conclusion of a six-month test market period, and delist Code #2782, Lauders Scotch, 750ML size, which failed to achieve both the gross profit required for full distribution and specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) May 2006 Spirit E-Mail Coupons:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve spirit e-mail coupons for ten (10) spirit items for the month of May 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) One Time Buys:

a. Starbucks Cream Liqueur, 50ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Future Brands LLC to make an additional one-time buy of Starbucks Cream Liqueur, 50ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Smirnoff Twist of Lime Vodka, 50ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Diageo North America to make a one-time buy of Smirnoff Twist of Lime Vodka, 50ML size (assigned new Code #3471), to be distributed to Cluster 1 and 2 stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Level Vodka, 50ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Future Brands LLC to make an additional one-time buy of Level Vodka, 50ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Tabled Items:

a. Swap Request (Ezra Brooks Bourbon, 1.75L) – tabled from 3/22/06, Item A-3:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that this item be removed from the table, and that the Commission deny a request from Southern Wine & Spirits of N.E., Inc./Luxco to approve a swap request to replace Code #8693, Ezra Brooks Bourbon, 750ML size with a 1.75L size. The motion was unanimously adopted.

B. WINES:

1) June and July 2006 Wine Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a wine sale for June and July 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, to be conducted as follows: May 30 through June 25, 2006 – Receive a 10% discount on the purchase of 12 or more 750ML size wines; June 26 through July 30, 2006 – Receive a 15% discount on the purchase of 12 or more 750ML size wines. The motion was unanimously adopted.

2) May and June 2006 E-Mail Alert Coupons:

a. Monkey Bay Chardonnay:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Southern Wine & Spirits of N.E., Inc. to utilize an e-mail alert coupon on Code #42478, Monkey Bay Chardonnay, 750ML size during May and June 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Alice White:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Southern Wine & Spirits of N.E., Inc. to utilize an e-mail alert coupon on five (5) 1.5L size Alice White wines during May and June 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Purchases and Introductions:

a. Banrock Station 3 Liter Boxes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Southern Wine & Spirits of N.E., Inc./Constellation Wines US for the purchase and introduction of four (4) Banrock Station 3 Liter box wines, including a sweepstakes offer, and the floor stock adjustment offer and removal from retail availability of five (5) Banrock Station wine codes, as

recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Foolish Oaks Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company for the purchase and introduction of two (2) Foolish Oaks wine codes, and the removal of two lists of American merlot wines from retail availability with discounts to assist in depleting remaining store inventory, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Test Results:

a. Bootleg Wines from Italy and Price Reduction:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission remove three Bootleg Italian wine codes from retail availability, and to discount them with a floor stock adjustment to assist in depleting remaining store inventory, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Tintara & Drylands:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Icon Estates to test market Code #40482, Tintara Shiraz, Code #40481, Tintara Cabernet and Code #40483, Drylands Sauvignon Blanc by placing three absolutes in Cluster 1 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Cartagena Wines of Chile:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Perfecta Wine Company to test market Code #42632, Cartagena Chardonnay and Code #42631, Cartagena Cabernet Sauvignon by placing three absolutes in Cluster 1 stores, as recommended by Nicole Brassard,

Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Fat Bastard Cabernet & Sparkling:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Pine State Trading Company/Click Wine Group to test market Code #43232, Fat Bastard Cabernet and Code #43231, Fat Bastard Sparkling by placing three absolutes in Cluster 1 and 2 stores for the Cabernet and three absolutes in Cluster 1 stores for the Sparkling, and to remove a list of French miscellaneous and sparkling wines from retail availability and discounting them to assist in depleting remaining inventory, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Nathanson's Creek Pinot Grigio:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc. to test market Code #42391, Nathanson's Creek Pinot Grigio by placing three absolutes in Cluster 1 stores and Store #60 West Lebanon, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Allocated Wines for Distribution to Selected Stores (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve three (3) allocated wines for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Allocated Wines (Absolutes) for Distribution to Selected Stores (6 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve six (6) allocated wines (absolutes) for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 7) “R” Wines for Allocation to Licensees Selected by the Broker (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve three (3) restricted wines for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 8) Primary Source Submissions (5 primary source; 17 exclusive agent; 19 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of five (5) wine codes which are from primary source, seventeen (17) wine codes which are offered by the exclusive marketing agent and nineteen (19) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT

Commissioner Maiola reported that the previous night many high schools throughout the state conducted programs targeted at underage drinking. Newport had about 140 people in attendance, with about 40 attendees being students. He commended Investigator Jim Wilson for doing a great job. Lisa Soiett said there were about 60 people at Winnacunnet High School last night, and said the program there was also very well received.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed for bailment releases/transfers dated March 23 through March 29, 2006. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests for the month of April 2006. The motion was unanimously adopted.

**NEW HAMPSHIRE STATE LIQUOR COMMISSION
MINUTES OF MEETING – MARCH 29, 2006**

Page Ten

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

